

# Indiana Department of Education

## Center for Exceptional Learners

### *January 1, 2009*

This document provides information for local school administrators and other interested persons on how Indiana Medicaid reimburses school corporations' costs for a portion of health-related IEP services provided in schools.

Key facts:

- Billing Indiana Medicaid helps defray schools' rapidly increasing costs to deliver health care services as required by special education students' Individualized Education Programs.
- State law requires all Indiana public school corporations to be enrolled as Medicaid providers. Actual participation in (billing) Medicaid is at the discretion of the individual school corporation.
- More than 266,000 public school students in our state have Indiana Medicaid health care coverage, which pays for services such as physical, occupational and speech therapies.

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## Indiana Medicaid Helps Schools Cover the Cost of Some Health Care Services in Student IEPs

by John Hill

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### ➤ **Background**

Many people are unaware that the Indiana Medicaid program reimburses some health care services provided in schools.

In Indiana, over 1.1 million persons are eligible for Medicaid. Many Medicaid eligibles are special education students who attend Indiana public schools and who receive school-based health care services such as speech, occupational or physical therapy, nursing care or behavioral health services during their school day.

In 1991 the Indiana General Assembly passed a bill (HB 1001) requiring all school corporations to enroll as providers in the Indiana Medicaid program. Indiana Code §12-15-1-16 requires only that school corporations enroll as Medicaid providers; the law does not require the school corporation to participate in (bill) Medicaid. This state legislation was preceded by changes to the federal Medicaid statute (Title XIX of the Social Security Act) in which Congress clarified that Medicaid may reimburse schools for health care services provided to special education students who are covered by the Medicaid program.

In August 1998 the Indiana Office of Medicaid Policy and Planning (OMPP)

changed its long-standing policy by permitting the student's Individualized Education Program (IEP) to serve as the Medicaid prior authorization for covered health-related services authorized in the IEP and by exempting health-related IEP services from Medicaid managed care provider certification requirements. This policy change resulted from discussions between the OMPP and the Indiana Department of Education (DOE), Center for Exceptional Learners concerning the need to remove perceived barriers to Medicaid claiming by Indiana school corporations.

In October 2002, the State Budget Agency established a Medicaid and Education work group to:

- Improve local schools' ability to bill Indiana Medicaid for health-related IEP services by identifying and removing barriers; and,
- Increase the number of school corporations billing Medicaid for health-related IEP services.

The challenge has been to develop and implement a program that links two very different systems – Medicaid and education. Although Medicaid billing requires detailed record keeping, most stakeholders agree it

is worth the effort in order to cover some of the costs of providing essential health care services for students with disabilities.

## ➤ **Purpose**

This document will describe:

- Medicaid school-based services:
  - What is Medicaid?
  - What does Medicaid cover?
  - What are Medicaid school-based services?
  - How does reimbursement work?
- How billing Indiana Medicaid impacts schools:
  - Procedural challenges;
  - Communication challenges;
  - Fiscal impact;
- National issues; and,
- What's next for Indiana?

## ***What Is Medicaid?***

According to the Kaiser Family Foundation, Medicaid is the nation's safety net health insurance program, which pays for health care services for 59 million Americans. This program, established in 1965, provides low-income children and families access to affordable and comprehensive health care. Medicaid also serves the elderly and persons with disabilities of all ages, who often rely on the program to fill in critical gaps in their Medicare coverage.

Individual states and the federal government jointly finance and operate the Medicaid program. Without it, the total number of uninsured Americans, currently over 45 million, would increase significantly. The Kaiser Family Foundation notes:

“Most children and parents covered by Medicaid are in working families. Without Medicaid, the vast majority of its enrollees would be uninsured.”

In Indiana, more than 1.1 million individuals of all ages – approximately one in six Hoosiers – are enrolled in Medicaid, according to information from the Office of Medicaid Policy and Planning. More than 266,000 public school students in our state have health care coverage through Indiana Medicaid.

## ***What Does Medicaid Cover?***

Indiana Medicaid covers a wide range of medically necessary services including hospitalization, physician, dental, laboratory and x-ray services, prescription drugs, nursing facility and home health care, speech, occupational and physical therapy, nursing and behavioral health care, health status assessments and evaluations, and medical transportation, among others.

## ***What Are Medicaid School-Based Services?***

In 1988 Congress made changes to the Medicaid statute to allow schools to claim Medicaid reimbursement for some school-based health related services. Effective in January 1992, Indiana Code §12-15-1-16 required all public school corporations to enroll as Medicaid providers. By June 2008, ninety-seven percent of all public school corporations plus nine Charter Schools were enrolled as Indiana Medicaid providers.

As of December 2008, seventy-two school corporations bill Medicaid for services provided to students who are eligible for special education and enrolled in Medicaid. The services reimbursed are those health-related special education services authorized in a student's Individual Education Program and provided by the school's Medicaid-qualified practitioners. Speech, occupational and physical therapy are the Medicaid services most commonly billed by Indiana school corporations.

## ***How Does Reimbursement Work?***

Reimbursement for Indiana Medicaid services comprises federal (approximately 63 percent) and state funds (approximately 37 percent). Indiana state matching funds originate from a variety of sources, including the budgets of state and local public entities.

Indiana's Medicaid-participating school corporations receive 100 percent (both federal and state shares) of the Medicaid reimbursement for a covered service. However, when the Indiana Department of Education distributes state tuition support funds to a Medicaid-participating school district, the Department withholds an amount equal to the state Medicaid match (about 37

percent of the total Medicaid payment) from the district's state tuition support fund allocation, plus 3 percent of the federal share of the Medicaid payment, which is withheld to help defray State costs for administrative oversight and technical support of Medicaid claiming for school-based services. Additionally, Medicaid-participating school corporations have opted to use a portion of their Medicaid reimbursements to pay medical billing contractors. These billing companies typically charge approximately 7 to 10 percent of the federal share of the client's total Medicaid reimbursements. For this fee the billing companies are expected to prepare and submit the client's Medicaid claims and:

1. Comply with the terms of any billing agreement established with the local school corporation;
2. Verify the student's Medicaid eligibility on the date the Medicaid-covered IEP service was provided

3. Bill in accordance with federal and Indiana-specific Medicaid policies;
4. Continually review Medicaid policies, rules and other Medicaid publications to maintain current, compliant billing practices; and,
5. Notify the school corporation of any errors in billing as soon as they are discovered.

### ➤ **How billing Indiana Medicaid Impacts Schools**

More than 177,000 students are eligible for special education in the State of Indiana. Each day, many of these students receive multiple services that may be Medicaid reimbursable. Although submitting Medicaid claims can be a complex process, technical assistance is available from the Medicaid agency's customer assistance staff, private billing contractors and state agencies.

### **Medicaid Reimbursement Example**

- ❖ The Medicaid-participating school corporation delivers Medicaid-covered IEP\* services to a Medicaid-eligible Special Education student.
- ❖ A billing company, on behalf of the school corporation, submits a Medicaid claim for Medicaid-covered IEP services provided to the Medicaid-eligible student.
- ❖ The school corporation receives a Medicaid payment of \$1,000 for the Medicaid-covered IEP services.
  - The Federal share (62.69%) of the total Medicaid payment amount is \$626.90.
  - The Indiana state share (37.31%) of the total Medicaid payment amount is \$373.10.
- ❖ When making monthly distributions, the Indiana Department of Education withholds from the school corporation's state tuition support funds a total of \$391.91, which represents:
  - The state share of the total Medicaid payment (\$373.10), which the Department contributes to state Medicaid matching funds to draw down the Federal Medicaid funding; plus,
  - Three percent (3%) of the Federal share, which amounts to \$18.81 ( $\$626.90 \times .03$ ), which goes into the state's general fund to defray state costs for administrative oversight and technical support of school corporations' participation in the Indiana Medicaid program.
- ❖ The school corporation pays its billing company's fee, based upon their contractual agreement, usually 7% to 10% of the Federal share (\$626.90), which would equal \$43.88, assuming a 7% fee.
- ❖ The net gain in new funds to the school corporation is \$564.21 ( $\$1000 - \$391.91 - \$43.88$ ).

**\*NOTE: Federally mandated IEP services are paid with 100% state funds when Medicaid is not billed.**

## **Procedural Challenges**

The Medicaid program works somewhat like health insurance. It is built on a medical model with expectations that all of its health care providers will follow its established, published guidelines and standards. In order to request reimbursement, providers must follow specific record keeping rules and billing procedures, and communicate in approved computer language when submitting electronic claims for payment.

Because Indiana school corporations are not experts in Medicaid billing, all currently participating school corporations have hired billing companies to process their claims. These billing companies have developed their own proprietary software and protocols for billing. They help track each child's services, collect information from school staff's records about the services actually delivered, and translate medical information into standardized formats for electronic claims submission.

The billing companies provide training to participating schools to facilitate compliance with Medicaid record keeping and billing procedures, thereby helping to ensure that reimbursement is appropriately claimed. Accuracy is important since each school corporation's records may face review. Like any payer of health care services, the State Medicaid agency has the authority to audit providers it pays, including school districts. In addition to state audits, participating schools' claims are also subject to review by the federal Centers for Medicare and Medicaid Services ("CMS") as well as the federal Department of Health and Human Services' Office of Inspector General. All of these have the authority to take funds back when school records do not properly support payments claimed for services delivered.

## **Communication Challenges**

Medicaid billing for school-based services can bring to light some language barriers that arise when bringing together people and systems with differing perspectives based on the medical model and the education model of service delivery. Medicaid says "treatment plan;" Education says "IEP." Medicaid says "case manager;"

Education says "service coordinator." Medicaid says "HIPAA" (Health Insurance Portability and Accountability Act of 1996); Education says "FERPA" (Family Educational Rights and Privacy Act of 1974).

As a result, when training on school-based Medicaid issues and requirements, school staff devote some time to translating Medicaid-specific words and phrases into educational terms, and vice versa. The communication gap creates frustration, but working through issues together significantly reduces hassles associated with Medicaid in education. It can be daunting to face all these challenges on the whole. However, taken one at a time, these small issues have little impact on the day-to-day activities of school staff.

## **Fiscal Impact**

Until recently, some Indiana school corporations chose not to participate in the Medicaid program for several reasons, including:

1. Paper Work burden;
2. "Pay-Back" fears;
3. Lack of leadership/guidance.

The Medicaid/Education Work Group established by the State Budget Agency in 2002 helped to investigate these issues and to facilitate solutions where needed.

A decade ago the Paper Work issue was a legitimate concern. However, in recent years the process and paper work have been significantly reduced thanks to automation and development of web-based claiming by the billing companies.

"Pay-Back" fears stem from newspaper headlines about Medicaid audits demanding substantial repayments from school districts in other states. Unfortunately, many people do not look beyond the "*Schools... Medicaid... Payback*" headline to discover that most relate to school-based Medicaid *administrative* claiming, rather than claiming Medicaid reimbursement for school-based *medical* services. Often overlooked are other important details such as subsequent correction of adverse audit findings based on further information provided by the state or school districts in response to the initial audit report, or the fact that the audited

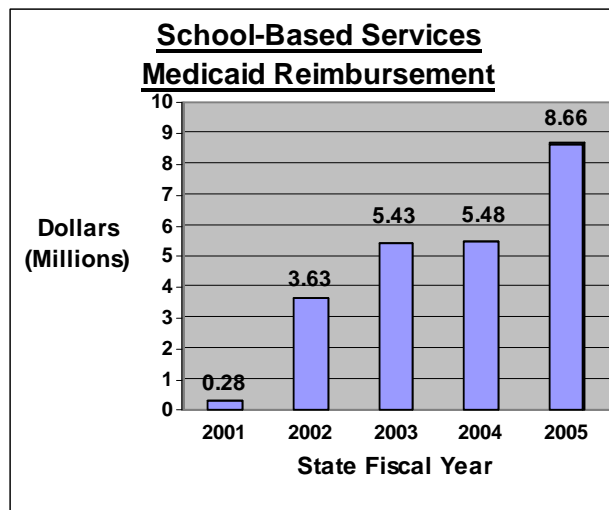
period preceded the publication date of federal guidance and identified problems have since been corrected.

The third issue regarding the lack of guidance or leadership has been addressed locally by a succession of Medicaid and Education-related work groups. Initially, the Department of Education established a work group consisting of local school district special education representatives, Medicaid agency staff, state budget agency staff, and staff from Indiana Medicaid's Medical Policy and claim processing contractors to develop a "Medicaid Billing Guidebook" as well as a "Medicaid Billing Tool Kit" for health-related IEP services. The "Guide" was completed and distributed to schools in August 2004 and updated in October 2008. Its companion document, the "Tool Kit," was completed and distributed in June 2005 and updated at least annually thereafter. In addition to these two documents, the Department collaborated with the Indiana Parent's Information Network (a statewide parent advocacy organization now known as About Special Kids, or A.S.K.) to develop a brochure informing families about why local schools are accessing Medicaid funding for health-related IEP services. A school-based Medicaid billing focus group continues to meet periodically to share information and review policies that impact Medicaid-participating school districts in Indiana.

The collaboration of Indiana's state agencies (State Budget Agency, Office of Medicaid Policy and Planning, Department of Education) is fairly unique and was recognized at the 2004 National Alliance for Medicaid in Education national conference in Boston, Massachusetts. As a result of Indiana's collaborative efforts, the number of Medicaid-participating school corporations more than doubled since school-based claiming began in State Fiscal Year 2002.

From state fiscal year (SFY) 2001 to SFY 2005, Medicaid payments to Indiana public school corporations increased over 3000 percent (from \$279,503 to \$8,655,865).

Although total participation and therefore total revenues waned in 2006 through 2008, additional school corporations, including Indianapolis Public Schools, are taking the



necessary steps to implement Medicaid claiming for the health-related IEP services they provide to Medicaid-enrolled students.

As local school corporations' financial resources are stretched farther, some seek Medicaid reimbursement to help alleviate fiscal pressures. Considered "soft money" by most participating school corporations, Medicaid revenues can fluctuate from year to year based on the Medicaid eligibility and specific needs of a corporation's special education students. This is why most choose not to use Medicaid reimbursements for staffing or other ongoing expenses, preferring to spend the money on training, parent or professional development and equipment in those program areas that generate the Medicaid funds. This strategy also serves as an incentive to staff who must take on Medicaid documentation responsibilities because these staff see a direct benefit to the students they serve.

## ➤ **National Issues**

### ***Administrative Claiming***

Most of the national focus on school Medicaid issues has centered on schools claiming federal matching funds for Medicaid Administrative Outreach activities such as informing families about the availability of Medicaid benefits or helping to identify and refer qualifying children and their families for Medicaid services. To date Indiana has a small school-based Medicaid Administrative Claiming program operated on a pilot project basis only in Marion County. Expansion of



this program will depend on its future success and further regulatory or legislative action at the federal level.

In response to criticism about its failure to issue clear guidance and the ensuing problems identified by federal auditors, the Centers for Medicare & Medicaid Services (CMS) released a Technical Assistance Guide on school-based Medicaid administrative claiming in May, 2003. The administrative claiming guide clarified CMS's interpretation of applicable federal policy, and it reduced the federal match available for administrative activities of schools' Skilled Professional Medical Personnel or "SPMP" (from the 75% match available to SPMP of other public entities to only 50% for SPMP activities in schools). As a result, schools in other states experienced reductions in the amount of funds generated by their administrative claiming programs. More recently, CMS issued a regulation (CMS 2287-F) that, if unchanged, will eliminate all school-based Medicaid administrative claiming effective April 1, 2009, upon expiration of a Congressional moratorium temporarily precluding CMS from enforcing this regulation.

### ***School-Based Services Program***

During the Bush Administration, the federal government carefully examined Medicaid claiming for school-based health care services. The federal Department of Health and Human Services, Office of Inspector General has visited various states, auditing claims for school-based services and recommending that schools refund millions of dollars in Medicaid payments because of apparent record keeping omissions or failure to comply with specific Medicaid program policies and regulations. Findings in some of these audits include:

- Lack of an appropriate referral/order for the service;
- Lack of appropriate licensure by the professional delivering the service;
- Service not authorized in the student's IEP;
- The amount of service delivered and billed exceeded the amount of service authorized in the student's IEP;

- Service delivered to a student who is not in special education;
- Lack of evidence that the student attended school on the date the service was delivered; and,
- Lack of evidence that the health care professional attended school on the date the service was delivered.

### ***National Alliance for Medicaid in Education***

Prompted by increased federal attention to Medicaid claiming for school-based services and the lack of an existing forum for state Medicaid and education agencies to share relevant information, the National Alliance for Medicaid in Education (NAME) was founded in 2003. This organization grew from a steering committee of state Medicaid and education staff established in 2002. From that steering committee, comprising representatives from five states including Indiana, NAME, Inc. has grown into a non-profit organization with state Medicaid and Education agency members from 43 states and over 91 Local Education Agency members from around the nation. NAME's mission is to:

- Provide leadership related to accessing Medicaid reimbursement for services provided in schools;
- Promote integrity, collaboration and success among all stakeholders; and,
- Facilitate a network to share information on issues pertinent to Medicaid programs in public schools.

NAME membership is open to state and local Medicaid and education staff responsible for administering school-based Medicaid claiming and to staff from other regional, state and federal agencies, special education cooperatives, public and non-public organizations involved with Medicaid in Education. NAME holds annual conferences that provide excellent opportunities for local school corporations and other interested parties to learn more about Medicaid claiming for school-based services, the benefits and related issues. More information regarding NAME and its annual conferences is available at:

<http://www.medicaidforeducation.org/>

## **North Central Regional Resource Center**

The North Central Regional Resource Center, Region 4, is one of six Regional Resource Centers (RRCs) funded by the U.S. Department of Education's Office of Special Education. The Center assists state education agencies in the systemic improvement of educational programs, practices and policies that impact children and youth with disabilities and their families. At the request of several state departments of education including Indiana, the Center established in May 2005 a regional work group consisting of staff from education and Medicaid agencies of the nine states in Region 4. Although not currently holding meetings, the NCRRC work group completed a matrix profiling states' school-based Medicaid programs, conducted surveys and shared survey responses regarding state Medicaid agencies' policies and reimbursement structures. This NCRRC survey data provided input for a Project Forum report published by the National Association of State Directors of Special Education (NASDSE).

### **LEAnet**

Recent federal action has created serious challenges to the continued existence of school programs that rely on Medicaid funding. LEAnet is a newly established national organization whose primary focus is to protect and enhance school-based health services for children. As an informal grassroots organization of local education agencies from around the country, LEAnet provides a vehicle for individuals and their organizations to act quickly on issues related to health care in public schools.

Membership is open to any LEA or other entity involved in the delivery of health services programs to children in the public education environment. For more information on LEAnet, visit:

<http://www.theleanet.com/>

## ➤ **What's Next For Indiana**

### ***Outstanding and Ongoing Issues***

During the development of the School-Based Medicaid Guide Book and Tool Kit several issues were identified which warrant additional research, policy development and action. The Department of Education, Center for Exceptional Learners (CEL) has formed a School-based Medicaid Focus Group to review and help resolve issues and influence policy impacting school-based Medicaid claiming in Indiana. CEL staff are available to provide technical assistance to school corporations, charter and state-operated schools participating or interested in participating in Medicaid claiming.

### ***100% Medicaid Provider Enrollment***

The Center for Exceptional Learners will continue to work with public school corporations and charters not yet enrolled as Medicaid providers to improve compliance with Indiana Code 12-15-1-16.

### ***Increase Medicaid School-Based Program Participation***

While it may not be feasible or cost-effective for every school corporation, charter school and state-operated school to participate in Medicaid, it is important in tough economic times for each to evaluate this potential. School administrators may contact John Hill, [jhill@doe.in.gov](mailto:jhill@doe.in.gov), or Tracy Brunner, [tbrunner@doe.in.gov](mailto:tbrunner@doe.in.gov), for additional information regarding the potential to claim federal Medicaid funds to help cover the costs of providing mandated Special Education services currently supported with 100 percent state funds.

### ***Self-Assessment and Compliance***

In order to assist local school corporations with monitoring and compliance issues, the State has added a Program Compliance section to the Medicaid Billing Tool Kit. This Tool Kit addition (Chapter 9) is available online at:

<http://www.doe.state.in.us/exceptional/spec-ed/medicaid.html>

### **Medicaid Administrative Claiming**

After CMS set forth clear expectations in its Medicaid School-Based Administrative Claiming Guide, representatives from the State Medicaid, Education and Budget agencies, Learning Well, and Health Evolutions sought federal approval of a proposed small-scale claiming program among Learning Well's public school partners in Marion County.

Learning Well, Inc. is a non-profit organization whose mission is to provide improved access to health care services for all school-aged children attending both private and public schools in Marion County, Indiana. By mutual agreement of Learning Well and the participating public school corporations, any funds generated by the IndianaMAC demonstration project will be utilized to support and expand school-based health clinics operated by Learning Well.

If successful, the program could be adapted for implementation in other areas of the state provided the federal government continues to allow schools to participate in Medicaid administrative claiming.

### **Additional Services**

Indiana public schools provide many services for students with disabilities that are not currently, but potentially could be, reimbursed by Medicaid. These include nursing services, orientation and mobility services, and transportation to and from medical services provided in the community. The Center for Exceptional Learners is collaborating with the Office of Medicaid Policy and Planning to identify ways for schools to access Indiana Medicaid funds for all such Medicaid-covered services.

### **Access to Information**

The Center for Exceptional Learners posts Indiana school-based Medicaid-related information on an index tab listing at its Web Page. The Medicaid Billing Guide and Tool Kit, the ASK Parent brochure and other documents are accessible on-line at <http://www.doe.state.in.us/exceptional/special/medicaid.html>.

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### **For More Information:**

John Hill, Medicaid Liaison  
Center for Exceptional Learners  
Indiana Department of Education  
151 West Ohio Street  
Indianapolis, IN 46204-2798  
317-232-0864  
[jhill@doe.in.gov](mailto:jhill@doe.in.gov)

Tracy Brunner, Research & Public Policy Analyst  
Indiana Education Project, Ball State University  
c/o Center for Exceptional Learners  
151 West Ohio Street  
Indianapolis, IN 46204-2798  
317-232-6988  
[tbrunner@doe.in.gov](mailto:tbrunner@doe.in.gov)



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Special thanks to Jane Reagan, MPA, Department Specialist for School-Based Services, Special Education and Early Intervention Services, Michigan Department of Education for creating the general outline for this document and providing some of the federal background information.

## **References and Suggested Resources:**

**Kaiser Family Foundation**

“Medicaid/SCHIP”

<http://www.kff.org/medicaid/index.cfm>

**Office of Inspector General for HHS 'What's New' site**

<http://oig.hhs.gov/w-new.html>

**Centers for Medicare & Medicaid Services site**

<http://www.cms.hhs.gov/medicaid/default.asp?>

## **WEB LINKS**

### **Indiana Department of Education/Center for Exceptional Learners**

**Guide to Billing Indiana Medicaid for Individualized Education Program health-related services provided by school corporations**

<http://doe.state.in.us/exceptional/speced/pdf/2004-08-08-MedBillGuide.pdf>

**Tool Kit for Billing Indiana Medicaid for Individualized Education Program health-related services provided by school corporations**

<http://www.doe.state.in.us/exceptional/speced/docs/2008-02-28-ToolKit4thEd.pdf>

**Schools Billing Medicaid: Information and Answers for Families**

<http://www.doe.state.in.us/exceptional/speced/docs/2007-11-MedicaidParentBrochure.pdf>

### **General Information on Medicaid in the Schools**

**Special Education & Medicaid Knowledge Base**

Office of Special Education Programs (OSEP) Region VII Comprehensive Center

<http://helpforschools.com/medicaid/index.shtml>

**National Alliance for Medicaid in Education**

<http://www.medicaidforeducation.org/>

**School-based Medicaid for Children with Disabilities, NASDSE Project Forum**

<http://www.projectforum.org/docs/SchoolBasedMedicaid.pdf>

**LEAnet, a coalition of Local Education Agencies**

<http://www.theleanet.com/>

**Greg On The Web**

<http://www.gregontheweb.com/>